

Message Text

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PAGE 01 QUITO 03616 232243Z

21

ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 FRB-03 PA-01

PRS-01 /093 W

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R 232216Z MAY 75

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 5685

C O N F I D E N T I A L QUITO 3616

E.O. 11652: GDS

TAGS: EINV, ENRG, EC

SUBJECT: TEXACO-GULF

1. TEXACO VICE-PRESIDENTS SHIELDS AND CRAWFORD CALLED ON CHARGE MAY 22. CHIEF E/C SECTION SAT IN. THEY HAD WOUND UP FOUR DAYS OF TALKS WITH MINISTER OF NATURAL RESOURCES SALAZAR, CEPE MANAGER VARGAS, SUBSECRETARY ROBALINO, ACTING HYDROCARBONS DIRECTOR GRANJA, UN ADVISOR SALAS, AND OTHER TECHNICIANS. THE TALKS HAD STARTED AMIABLY ENOUGH ON MAY 19-20, DEALING WITH THE VARIOUS ITEMS THAT TEXACO GROUPS UNDER THE HEADING "BAD DEBTS". THERE WAS TOTAL AND SHARP DISAGREEMENT IN THE MAY 21 SESSION ON GOVERNMENT TAKE. AT THE FINAL SESSION ON MAY 22, HOWEVER, TEXACO OFFICIALS SENSED THAT THE GOE SIDE AT LEAST ACKNOWLEDGED THE VALIDITY OF THE COMPANY'S CONTENTION THAT PRICES (TAXES) ARE TOO HIGH. MEETING ENDED WITH A HANDSHAKE AND WITH ASSURANCES THAT THE GOE WOULD ACT WITHIN STIPULATED TIME FRAMES TO RESOLVE THE PROBLEMS THAT WERE DISCUSSED. THE GOE CAME UP WITH SCHEDULES FOR PAYMENT OF MONEY IT OWES TO TEXACO-GULF AND PROMISED TO CONTACT THE COMPANIES IN 15-20 DAYS WITH ITS PROPOSAL FOR TAX RELIEF. IT WAS AGREED THAT

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PAGE 02 QUITO 03616 232243Z

DURING THE ITERIM THE COMPANIES WILL CONTINUE TO LIFT

CRUDE TO SUPPORT A PRODUCTION LEVEL NEAR 210,000 BPD.

2. SHIELDS SAID HE IS HIGHLY OPTIMISTIC AS A RESULT OF THE MEETINGS, ALTHOUGH HE HAS HAD ENOUGH EXPERIENCE WITH ECUADOREAN DELAYS AND BROKEN PROMISES THAT HE DOES NOT TAKE ANYTHING FOR GRANTED. AS HE PUT IT, "I AM NOT YET STANDING ON MY FEET, BUT I HAVE GOTTEN UP FROM THE FLOOR". AS A REALISTIC MATTER HE EXPECTS THAT ANY TAX REDUCTION OFFERED BY THE GOE WILL BE AS LITTLE AS IT THINKS IT CAN GET AWAY WITH. HE ALSO THINKS THAT THE GOE WILL FIRST HAVE TO PREPARE ITS PUBLIC FOR A CONCESSION ON TAXES. (MINISTER SALAZAR'S REMARKS TO PRESS ON MAY 22, REPORTED SEPTEL, ARE THE FIRST INDICATION OF THIS.)

3. THE PLANNED MEETING OF TEXACO'S PRESIDENT WITH PRESIDENT RODRIGUEZ LARA ON MAY 22 DID NOT COME OFF. ALTHOUGH TEXACO PRESIDENT CAME TO QUITO FOR THE MEETING, PRESIDENT RODRIGUEZ DECLINED TO HOLD IT BECAUSE THE NEGOTIATORS HAD NOT YET REACHED AGREEMENT ON THE ISSUES.

HEMENWAY

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